

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Richfield	County Genesee
Audit Date 6/30/05	Opinion Date 8/24/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

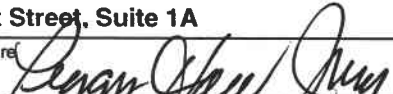
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 E. Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 10/17/05

Annual Financial Report

**Township of Richfield
Genesee County, Michigan**

June 30, 2005

**Township of Richfield
Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

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Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

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Introductory Section

**Annual Financial Report
Township of Richfield
June 30, 2005**

List of Elected Officials

Supervisor

James Jacques

Clerk

Lisa Holmes

Treasurer

Joyce Schneider

Trustees

**Dennis Montague
Gerald Masters**

Financial Section

Independent Auditors' Report

Members of the Township Board
Township of Richfield
Genesee County, Michigan

We have audited the basic financial statements of the Township of Richfield, Michigan as of June 30, 2005, and for the year then ended. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Township of Richfield, Michigan at June 30, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 10 and the information in the required supplemental information section on pages 41 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section and the combining and individual nonmajor fund financial statements presented on pages 54 and 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Plante & Moran, PLLC

Certified Public Accountants
Flint Office

August 24, 2005

Management's Discussion and Analysis

Township of Richfield Management's Discussion and Analysis

This section of the Township of Richfield's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the Township's financial statements, which follow this section.

Financial Highlights

- The assets of Richfield Township exceeded its liabilities at the close of the most recent fiscal year by \$8,968,145 (net assets). Of this amount, \$3,761,977 (unrestricted net assets) may be used to meet the government's on going obligations to citizens and creditors.
- The government's total net assets increased by \$451,959.
- At the close of the current fiscal year, Richfield Township's governmental funds reported combined ending fund balances of \$2,050,793, an increase of \$219,928 in comparison with prior year. Approximately \$1,861,099 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,911,708 or 107% of the total general fund expenditures.
- Richfield Township's debt decreased by \$53,596 or 6% during the current fiscal year.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - * Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and sewer system.
 - * Fiduciary fund statements provide information about the financial relationships – like the retirement plan for the Township's employees – in which the Township acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Table 1 (below) summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 - Major Features of the Township of Richfield
Government-wide and Fund Financial Statements**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the water and sewer system	Instances in which the Township is the trustee or agent for someone else's resources, such as the retirement plan for the Township employees
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Township are divided into three categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public service, and parks department and general administration. Property taxes and sales tax finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements.
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- In fact, the Township's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The Township is the trustee, or fiduciary, for its employees' group pension plan. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Governmental-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Richfield Township, assets exceeded liabilities by \$8,989,412 at the close of the most recent fiscal year.

By far, the largest portion of the Township's net assets (57 percent) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Richfield Township Net Assets

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$2,213,662	\$1,945,743	\$1,850,723	\$1,683,350	\$4,064,385	\$3,629,093
Capital assets	1,187,807	1,129,765	4,755,205	4,814,270	5,943,012	5,944,035
Total assets	\$3,401,469	\$3,075,508	\$6,605,928	\$6,497,620	\$10,007,397	\$9,573,128
Long-term liabilities outstanding	\$ 523,983	\$ 558,364	\$ 275,000	\$ 295,000	\$ 798,983	\$ 853,364
Other liabilities	195,830	131,498	44,439	56,522	240,269	188,020
Total liabilities	\$ 719,813	\$ 689,862	\$ 319,439	\$ 351,522	\$ 1,039,252	\$1,041,384
Net assets:						
Invested in capital assets, net of related debt	\$ 629,633	\$ 537,994	\$4,460,205	\$4,499,270	\$ 5,089,838	\$5,037,264
Restricted	116,330	53,467	-	-	116,330	53,467
Unrestricted	1,935,693	1,794,185	1,826,284	1,646,828	3,761,977	3,441,013
Total net assets	\$2,681,656	\$2,385,646	\$6,286,489	\$6,146,098	\$ 8,968,145	\$8,531,744

Governmental activities. Governmental activities increased Richfield Township's net assets by \$311,568, thereby accounting for 69 percent of the total growth in the net assets of Richfield Township. Key elements of this increase are as follows:

Richfield Township Changes in Net Assets

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$1,198,553	\$1,090,234	\$557,686	\$702,626	\$1,756,239	\$1,792,860
Operating grants and contributions	40,820	4,987	-	-	40,820	4,987
Capital grants and contributions	93,689	-	192,869	-	286,558	-
General revenues:						
Property taxes	345,322	327,910	-	-	345,322	327,910
Other taxes	584,305	594,527	-	-	584,305	544,527
Grants and contributions not restricted to specific programs:						
Other	45,799	31,866	39,650	27,396	85,449	54,262
Total revenues	2,308,488	2,049,524	790,205	730,022	3,098,693	2,779,546

Richfield Township Changes in Net Assets - (continued)

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Expenses:						
General government	426,207	427,610	-	-	426,207	427,610
Public safety	1,162,495	947,915	-	-	1,162,495	947,915
Public service	334,169	343,990	-	-	334,169	343,990
Recreation	46,193	34,086	-	-	46,193	34,086
Interest on long-term debt	27,856	30,240	-	-	27,856	30,240
Water	-	-	272,234	219,625	272,234	219,625
Sewer	-	-	377,580	374,198	377,580	374,198
Electric	-	-	-	-	-	-
Total expenses	<u>1,996,920</u>	<u>1,783,841</u>	<u>649,814</u>	<u>593,823</u>	<u>2,646,734</u>	<u>2,377,664</u>
Increase in net assets before transfers	311,568	265,683	140,391	136,199	451,959	401,882
Transfers in (out)	<u>-</u>	<u>(2,277)</u>	<u>-</u>	<u>2,277</u>	<u>-</u>	<u>-</u>
Increase in net assets	311,568	267,960	140,391	33,922	451,959	401,882
Net assets - July 1, 2004	<u>2,370,088</u>	<u>117,686</u>	<u>6,146,098</u>	<u>6,012,176</u>	<u>8,516,186</u>	<u>8,129,862</u>
Net assets - June 30, 2005	<u>\$2,681,656</u>	<u>\$2,385,646</u>	<u>\$6,286,489</u>	<u>\$6,146,098</u>	<u>\$8,968,145</u>	<u>\$8,129,862</u>

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,050,793, an increase of \$219,928 in comparison with the prior year. Approximately 93% of this total amount (\$1,911,788) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,911,708, while total fund balance reached \$2,002,308. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 107% of total general fund expenditures, while total fund balance represents 112% of that same amount.

The fund balance of the Township's general fund increased by \$209,352 during the current fiscal year. Key factors in this growth are as follows:

- Impact fee increased by \$46,000.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer funds at the end of the year amounted to \$6,286,489. The total growth in net assets for both funds was \$66,681 and \$73,710, respectively.

General Fund Budgetary Highlights

- Actual revenues exceeded budgeted revenues by \$208,000 primarily due to intergovernmental revenue that was higher than budgeted due to grant funding received that was not anticipated when the budget was adopted.
- Actual total expenditures for the Township were under budget. However certain departments' expenditures did exceed budget. The largest departmental over budget was in township hall and grounds which incurred expenditures for a new handicap ramp which was funded with Community Development Block grant funds that was budgeted for in the prior fiscal year.

Capital Assets

At the end of 2005, the Township had invested \$5,089,838 in capital assets, net of related debt.

Richfield Township Capital Assets (net of depreciation)

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 234,421	\$ 234,421	\$ -	\$ -	\$ 234,421	\$ 234,421
Buildings and system	861,769	810,232	-	-	861,769	810,232
Machinery and equipment	91,617	85,112	347	697	91,964	85,809
Infrastructure	-	-	4,754,858	4,813,574	4,754,858	4,813,574
Total	<u>\$1,187,807</u>	<u>\$1,129,765</u>	<u>\$4,755,205</u>	<u>\$4,814,271</u>	<u>\$5,943,012</u>	<u>\$5,944,036</u>

Additional information on Richfield Township's capital assets can be found in Note IV.C on pages 32 through 33 of this report.

Long-term Debt

At year-end the Township had \$558,174 in notes outstanding for governmental activities and \$295,000 in bonds and notes outstanding for business type activities.

Richfield Township Outstanding Debt General Obligation and Revenue Bonds

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Installment purchase	\$558,174	\$590,933	\$ -	\$ -	\$558,174	\$590,933
Capital lease	-	838	-	-	-	838
Revenue bonds	-	-	295,000	315,000	295,000	315,000
Total	<u>\$558,174</u>	<u>\$591,771</u>	<u>\$295,000</u>	<u>\$315,000</u>	<u>\$853,174</u>	<u>\$906,771</u>

Limitations on Debt

Act 99, Public Acts of State 1933, limits the amount of installment purchase agreement debt outstanding for the Township to 1.25% of the Township's taxable value. The current installment debt agreement does not exceed 1.25% of the Township's taxable value.

Economic Factors

The unemployment rate in Genesee County reached as high as 7.8% during 2005. This rate reached a high of 8.3% during 2004.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township, 5381 North State Road, Davison, Michigan 48423.

Basic Financial Statements

Government-wide Financial Statements

**Township of Richfield
Statement of Net Assets
June 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 1,967,572	\$ 443,264	\$ 2,410,836
Investments	-	1,250,000	1,250,000
Receivables:			
Taxes	4,805	-	4,805
Accounts	24,034	28,470	52,504
Tap-ins	-	124,362	124,362
Due from other governments	202,796	-	202,796
Internal balances	(4,627)	4,627	-
Prepaid items	19,082	-	19,082
Capital assets (net of accumulated depreciation)	1,187,807	4,755,205	5,943,012
Total assets	3,401,469	6,605,928	10,007,397
Liabilities and Net Assets			
Liabilities:			
Accounts payable	140,063	3,889	143,952
Accrued liabilities	21,576	20,550	42,126
Noncurrent liabilities:			
Due within one year	34,191	20,000	54,191
Due in more than one year	523,983	275,000	798,983
Total liabilities	719,813	319,439	1,039,252
Net assets:			
Invested in capital assets, net of related debt	629,633	4,460,205	5,089,838
Restricted for:			
Garbage	43,063	-	43,063
Other	73,267	-	73,267
Unrestricted	1,935,693	1,826,284	3,761,977
Total net assets	\$ 2,681,656	\$ 6,286,489	\$ 8,968,145

See notes to financial statements.

**Township of Richfield
Statement of Activities
For the Year Ended June 30, 2005**

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 426,207	\$ 240,912	\$ -
Public safety	1,162,495	659,622	37,163
Public service	334,169	298,019	-
Recreation and cultural	46,193	-	3,657
Interest on long-term debt	27,856	-	-
Total governmental activities	1,996,920	1,198,553	40,820
Business-type activities			
Water	272,234	224,639	-
Sewer	377,580	333,047	-
Total business-type activities	649,814	557,686	-
Total primary government	\$ 2,646,734	\$ 1,756,239	\$ 40,820
 General revenues:			
Property taxes			
Sales tax			
Unrestricted investment earnings			
Gain on disposal of capital assets			
Total general revenues and transfers			
Change in net assets			
Net assets - beginning			
Net assets - ending			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Capital Grants and Contributions	Primary Government		Total
	Governmental Activities	Business-Type Activities	
49,720	\$ (135,575)	\$ -	\$ (135,575)
-	(465,710)	-	(465,710)
-	(36,150)	-	(36,150)
43,969	1,433	-	1,433
-	(27,856)	-	(27,856)
93,689	(663,858)	-	(663,858)
94,050	-	46,455	46,455
98,819	-	54,286	54,286
192,869	-	100,741	100,741
<u>\$ 286,558</u>	<u>(663,858)</u>	<u>100,741</u>	<u>(563,117)</u>

345,322	-	345,322
584,305	-	584,305
35,947	39,650	75,597
9,852	-	9,852
975,426	39,650	1,015,076
311,568	140,391	451,959
2,370,088	6,146,098	8,516,186
<u>\$ 2,681,656</u>	<u>\$ 6,286,489</u>	<u>\$ 8,968,145</u>

Fund Financial Statements

**Township of Richfield
Balance Sheet
Governmental Funds
June 30, 2005**

	General Fund	Garbage Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,967,572	\$ -	\$ -	\$ 1,967,572
Receivables:				
Taxes	3,576	-	1,229	4,805
Accounts	24,034	-	-	24,034
Prepaid items	19,082	-	-	19,082
Due from other funds	750,148	43,063	5,422	798,633
Due from other governments	211,195	-	-	211,195
Total assets	\$ 2,975,607	\$ 43,063	\$ 6,651	\$ 3,025,321
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 139,690	\$ -	\$ -	\$ 139,690
Accrued liabilities	21,575	-	-	21,575
Due to other funds	812,034	-	-	812,034
Deferred revenue - current	-	-	1,229	1,229
Total liabilities	973,299	-	1,229	974,528
Fund balances:				
Reserved for garbage expenditures	-	43,063	-	43,063
Reserved for lighting	-	-	5,422	5,422
Reserved for long-term receivable	3,673	-	-	3,673
Reserved for prepaid expenses	19,082	-	-	19,082
Reserved for drug forfeiture	3,175	-	-	3,175
Reserved for building department	42,232	-	-	42,232
Reserved for metro act	22,438	-	-	22,438
Unreserved:				
Designated for subsequent years' expenditures	50,609	-	-	50,609
Undesignated	1,861,099	-	-	1,861,099
Total fund balances	2,002,308	43,063	5,422	2,050,793
Total liabilities and fund balances	\$ 2,975,607	\$ 43,063	\$ 6,651	\$ 3,025,321

See notes to financial statements.

Township of Richfield
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended June 30, 2005

Total Governmental Funds Fund balance as reported in the Balance Sheet Governmental Funds	\$ 2,050,793
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,187,808
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,229
Long term liabilities, including installment purchase agreements, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(558,174)</u>
Net Assets - Governmental Activities	<u><u>\$ 2,681,656</u></u>

Township of Richfield
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Garbage Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 345,322	\$ -	\$ -	\$ 345,322
Special assessment	599,900	280,285	17,536	897,721
Licenses and permits	148,187	-	-	148,187
Federal grants	79,246	-	-	79,246
State grants	590,202	-	-	590,202
Local grants	34,649	-	-	34,649
Charges for services	70,523	-	-	70,523
Interest	35,779	121	48	35,948
Other revenue	83,047	-	-	83,047
Total revenues	1,986,855	280,406	17,584	2,284,845
Expenditures:				
Current:				
General government	430,886	-	-	430,886
Public safety	1,033,015	-	-	1,033,015
Public service	163,093	271,554	15,860	450,507
Recreation and cultural	89,221	-	-	89,221
Debt service:				
Principal	33,432	-	-	33,432
Interest and charges	27,856	-	-	27,856
Total expenditures	1,777,503	271,554	15,860	2,064,917
Net change in fund balances	209,352	8,852	1,724	219,928
Fund balance - beginning	1,792,956	34,211	3,698	1,830,865
Fund balance - ending	\$ 2,002,308	\$ 43,063	\$ 5,422	\$ 2,050,793

See notes to financial statements.

Township of Richfield
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 219,928
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Governmental funds report capital outlay as expenditures. However in the statement of activities the cost of these assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation of capital assets in the current period.	58,043
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The payment of principal on long-term debt consumes the current financial resources of the governmental funds. However, on the statement of net assets, repayments of principal are recorded as a reduction to long-term debt payable and do not affect net assets.	<u>33,597</u>
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Changes in net assets of governmental activities (page 12)	<u><u>\$ 311,568</u></u>
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**Township of Richfield
Statement of Net Assets
Proprietary Funds
June 30, 2005**

**Business-Type Activities -
Enterprise Funds**

	Water Utility	Sewer Utility	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 443,264	\$ 443,264
Investments	-	1,250,000	1,250,000
Receivables:			
Accounts receivable	-	28,470	28,470
Tap-in contracts - current	6,626	2,221	8,847
Due from other funds	754,775	-	754,775
Total current assets	761,401	1,723,955	2,485,356
Noncurrent assets:			
Tap-in contracts - non current	103,537	11,978	115,515
Fixed assets - net of accumulated depreciation	1,160,222	3,594,983	4,755,205
Total noncurrent assets	1,263,759	3,606,961	4,870,720
Total assets	\$ 2,025,160	\$ 5,330,916	\$ 7,356,076
Liabilities			
Current liabilities:			
Accounts payable	\$ 160	\$ 3,729	\$ 3,889
Accrued liabilities	20,550	-	20,550
Due to other funds	-	750,148	750,148
Bond payable - current	20,000	-	20,000
Total current liabilities	40,710	753,877	794,587
Noncurrent liabilities:			
Bond payable - non current	275,000	-	275,000
Total noncurrent liabilities	275,000	-	275,000
Total liabilities	315,710	753,877	1,069,587
Net Assets			
Invested in capital assets, net of related debt	865,222	3,594,983	4,460,205
Unrestricted	844,228	982,056	1,826,284
Total net assets	1,709,450	4,577,039	6,286,489
Total liabilities and net assets	\$ 2,025,160	\$ 5,330,916	\$ 7,356,076

See notes to financial statements.

Township of Richfield
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
Operating revenues:			
Sewer and water fees	\$ 221,640	\$ 325,608	\$ 547,248
Late charges	2,999	7,439	10,438
Total operating revenues	224,639	333,047	557,686
Operating expenses:			
Sewer treatment cost	-	226,798	226,798
Water usage cost	194,440	-	194,440
Maintenance	5,137	41,134	46,271
Office cost	27	1,299	1,326
Audit	847	1,617	2,464
Professional fees	-	170	170
Depreciation	12,883	46,183	59,066
Salaries	28,756	41,974	70,730
Social security	2,189	3,194	5,383
Insurance	7,492	10,973	18,465
Pension	2,673	4,238	6,911
Total operating expenses	254,444	377,580	632,024
Operating loss	(29,805)	(44,533)	(74,338)
Non-operating revenues (expenses):			
Miscellaneous revenues	710	-	710
Interest on tap-in fees	8,168	1,238	9,406
Interest on investments	11,348	18,186	29,534
Interest on bonds	(17,790)	-	(17,790)
Total non-operating revenues	2,436	19,424	21,860
Net income before contributions	(27,369)	(25,109)	(52,478)
Capital contributions - tap fees	94,050	98,819	192,869
Change in net assets	66,681	73,710	140,391
Net assets - beginning	1,642,769	4,503,329	6,146,098
Net assets - ending	\$ 1,709,450	\$ 4,577,039	\$ 6,286,489

**Township of Richfield
Statements of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005**

	Water Utility	Sewer Utility	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 226,929	\$ 328,156	\$ 555,085
Cash payments to suppliers and employees	(253,571)	(331,470)	(585,041)
Net cash used in operating activities	(26,642)	(3,314)	(29,956)
Cash flows from investing activities:			
Sale of investments	-	138,294	138,294
Interest on investments	11,348	18,186	29,534
Net cash provided by investing activities	11,348	156,480	167,828
Cash flows from non-capital financing activities:			
Payments received and paid to other funds	(75,811)	68,131	(7,680)
Miscellaneous revenue	710	-	710
Net cash provided by (used in) non-capital financing activities	(75,101)	68,131	(6,970)
Cash flows from capital and related financing activities:			
Repayment of bonds payable	(20,000)	-	(20,000)
Interest on bonds	(17,790)	-	(17,790)
Tap in revenue	128,185	102,849	231,034
Net cash provided by capital and related financing activities	90,395	102,849	193,244
Net increase in cash and cash equivalents	-	324,146	324,146
Cash and cash equivalents - beginning	-	119,118	119,118
Cash and cash equivalents - ending	\$ - 0 -	\$ 443,264	\$ 443,264
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (29,805)	\$ (44,533)	\$ (74,338)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	12,883	46,183	59,066
Change in assets and liabilities:			
Increase in accounts receivable	-	(4,891)	(4,891)
Decrease in due from other governments	2,290	-	2,290
Increase (decrease) in accounts payable	(4,760)	177	(4,583)
Decrease in accrued liabilities	(7,250)	-	(7,250)
Decrease in due to other governments	-	(250)	(250)
Net cash used in operating activities	\$ (26,642)	\$ (3,314)	\$ (29,956)

See notes to financial statements.

Township of Richfield
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>			
	Pension Trust Fund	Retirement Health Care Trust Fund	Current Tax Fund	General Agency
Assets				
Cash and cash equivalents	\$ 2,429	\$ -	\$ 16	\$ -
Investments	154,724	20,893	-	-
Due from other funds	-	374	-	8,400
	<hr/>			
Total assets	\$ 157,153	\$ 21,267	\$ 16	\$ 8,400
	<hr/>			
Liabilities				
Accounts payable	\$ 1,572	\$ -	\$ -	\$ -
Due to other governments	-	-	16	8,400
	<hr/>			
Total liabilities	1,572	-	16	8,400
	<hr/>			
Net Assets				
Held in trust for post employment benefits	-	21,267	-	-
Held in trust for pension benefits	155,581	-	-	-
	<hr/>			
Total liabilities and net assets	\$ 157,153	\$ 21,267	\$ 16	\$ 8,400
	<hr/>			

See notes to financial statements.

Township of Richfield
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended June 30, 2005

	Pension Trust Fund	Retirement Health Care Fund
Additions:		
Contributions	\$ 16,230	\$ 5,100
Investment income:		
Interest	18,059	609
Total additions	<u>34,289</u>	<u>5,709</u>
 Deductions:		
Transfer to MERS plan	<u>24,202</u>	<u>-</u>
Change in net assets	10,087	5,709
 Net assets - beginning of year	<u>145,494</u>	<u>15,558</u>
 Net assets - end of year	<u><u>\$ 155,581</u></u>	<u><u>\$ 21,267</u></u>

See notes to financial statements.

Notes to Basic Financial Statements

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies

The accounting policies of the Township of Richfield (Township) conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to governments. The following is a summary of the significant accounting policies used by the Township of Richfield.

A. Reporting entity:

The Township of Richfield is located in the northeast portion of Genesee County and operates under an elected form of government. The Township provides the following services as authorized by general law: public safety (police and fire), highways and streets, sanitation, public improvements, recreation, planning and general administrative services.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. There are no component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Garbage fund is used to account for garbage collections.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System funds are maintained for the operations of the water distribution system and sewage pumping and collection statements.

Additionally, the government reports the following fund types:

Pension Trust fund accounts for the activities utilized to pay retirement benefits for the Township's retirees, excluding police officers and AFSCME union employees who participate in a MERS pension plan. The fund accumulates resources for pension benefits financed by both employer and employee contributions.

Retirement Health Care Trust Fund accounts for the accumulation of resources to be used for future payment of retiree health care expenditures.

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Pension Trusts, Retirement Health Care Trust Fund, and Agency funds are reported as fiduciary funds

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program *revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles. No allowance has been established as management believes all receivable to be collectible.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended June 30, 2005. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township is not required to retroactively determine costs and accumulated depreciation prior to July 1, 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and additions	39
Computer equipment	3
Furniture and equipment	7
Equipment under capital lease	7
Police vehicles and equipment	3-10

6. Accumulated unpaid vacation pay

For police officers, unused vacation days are allowed to be carried forward, (maximum of five days) if scheduling conflicts arise, and used in subsequent year. (AFSCME employees are not allowed to carry over vacation days.) Accumulated vacation pay at June 30, 2005, is nominal and, therefore, has not been recorded in the financial statements of the Township.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Property tax

The Township levies property taxes on December 1 each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from July 1 to September 15, and December 1 through February 28 each year. The delinquent real property taxes of the Township are purchased by the County of Genesee; delinquent personal property taxes continue to be collected by the Township and are recorded as revenue as collected. The Township considers property taxes as available if they are collected within 60 days after year end.

For the year ended June 30, 2005, the Township levied .9007 mills for general operations. The Township also levied a special millage of .4827 for fire services, which expires July 16, 2021. Special assessments are assessed for police protection, lights, and garbage.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Installment purchase agreement	<u>\$558,174</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$558,174</u>

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Donated capital assets	\$ 18,100
Capital outlay	120,218
Depreciation expense	<u>(80,275)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (58,043)</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the Township budget hearing, the Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted on a fund basis through passage of a motion and in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management-control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year-end.
7. Original budget was not amended during the year.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

III. Stewardship, compliance, and accountability – (continued)

B. Excess of expenditures over appropriations

The following departments incurred expenditures in excess of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual over Final Budget</u>
Garbage Fund:			
Garbage pickup	\$269,500	\$271,554	\$ 2,054
Lighting Fund:			
Public service	13,584	15,860	2,276

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorized local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township's investment policy allows investments in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks, commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

The Township has designated two banks for the deposit of its funds. The Township's deposits and investment policies are in accordance with statutory authority.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,107,730 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Repurchase agreement (sweep)	\$1,273,502	Counterparty

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Garbage Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 3,576	\$ -	\$ 1,229	\$ 4,805
Accounts	24,034	-	-	24,034
Gross receivables	27,610	-	1,229	28,839
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$ 27,610</u>	<u>\$ -0-</u>	<u>\$ 1,229</u>	<u>\$ 28,839</u>

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

B. Receivables – (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,229	\$ -
Total deferred/unearned revenue for governmental funds	<u>\$ 1,229</u>	<u>\$ -0-</u>

Business type activities:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Receivables:			
Accounts	\$ -	\$ 28,470	\$ 28,470
Tap-ins	110,163	14,199	124,362
Gross receivables	110,163	42,669	152,832
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$110,163</u>	<u>\$ 42,669</u>	<u>\$152,832</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 234,421	\$ -	\$ -	\$ 234,421
Total capital assets, not being depreciated	<u>234,421</u>	<u>-</u>	<u>-</u>	<u>234,421</u>
Capital assets, being depreciated:				
Buildings and additions	1,091,067	75,590	-	1,166,657
Computer equipment	44,195	3,255	-	47,450
Furniture and equipment	34,686	18,100	-	52,786
Police vehicles	169,276	41,372	-	210,648
Total capital assets being depreciated	<u>1,339,224</u>	<u>138,317</u>	<u>-</u>	<u>1,477,541</u>

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Less accumulated depreciation for:

Buildings and additions	(280,835)	(24,053)	-	(304,888)
Computer equipment	(40,445)	(1,649)	-	(42,094)
Furniture and equipment	(25,758)	(6,688)	-	(32,447)
Police vehicles	(96,842)	(47,885)	-	(144,727)
Total accumulated depreciation	(443,880)	(80,275)	-	(524,155)
Total capital assets, being depreciated, net	895,344	58,042	-	953,386
Governmental activities capital assets, net	<u>\$1,129,765</u>	<u>\$ 58,042</u>	<u>\$ -0-</u>	<u>\$1,187,807</u>

Business-type activities:

Capital assets, being depreciated:

Equipment	\$ 1,744	\$ -	\$ -	\$ 1,744
Investment in sewer lines	4,552,353	-	-	4,552,353
Investment in water lines	1,260,649	-	-	1,260,649
Total capital assets, being depreciated	5,814,746	-	-	5,814,746
Less accumulated depreciation for:				
Equipment	(1,047)	(349)	-	(1,396)
Investment in sewer lines	(911,586)	(45,983)	-	(957,569)
Investment in water lines	(87,842)	(12,734)	-	(100,576)
Total accumulated depreciation	(1,000,475)	(59,066)	-	(1,059,541)
Total capital assets, being depreciated, net	4,814,271	(59,066)	-	4,755,205
Business-type activities capital assets, net	<u>\$4,814,271</u>	<u>\$ (59,066)</u>	<u>\$ -0-</u>	<u>\$4,755,205</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 30,362
Recreation and cultural	940
Public safety	<u>48,973</u>

Total depreciation expense – governmental activities \$ 80,275

Business-type activities:

Water	\$ 12,883
Sewer	<u>46,183</u>

Total depreciation expense – Business-type activities \$ 59,066

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	750,148
Debt service	Sewer	-
Water	General	754,775
Garbage	General	43,063
Trust and agency	General	8,400
Street lighting	General	5,422
		<u>\$1,562,182</u>

E. Long-term debt

Contractual agreements and installment purchase agreements are general obligations of the government. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

A summary of the composition of the June 30, 2005, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at June 30, 2004</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at June 30, 2005</u>	<u>Due Within One Year</u>
Governmental activities:						
Installment agreement	10-20-07	4.87	\$590,933	\$ (32,759)	\$558,174	\$ 34,191
Capital lease obligation:						
Equipment	2005	0.00	838	(838)	-	-
Total governmental activities			<u>\$591,771</u>	<u>\$ (33,597)</u>	<u>\$558,174</u>	<u>\$ 34,191</u>
Business-type activities:						
1995 Water Revenue bonds						
Series 1995A	11-1-14	4.5-6.0	<u>\$315,000</u>	<u>\$ (20,000)</u>	<u>\$295,000</u>	<u>\$ 20,000</u>
Total business-type activities			<u>\$315,000</u>	<u>\$ (20,000)</u>	<u>\$295,000</u>	<u>\$ 20,000</u>

Revenue bonds are secured by future revenues of the Water Fund.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 34,191	\$ 26,409	\$ 20,000	\$ 16,751
2007	35,894	24,706	25,000	15,551
2008	488,089	7,863	25,000	14,188
2009	-	-	25,000	12,750
2010	-	-	30,000	11,100
2011-2015	-	-	170,000	26,997
Total	<u>\$558,174</u>	<u>\$ 58,978</u>	<u>\$295,000</u>	<u>\$ 97,337</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of June 30, 2005, the Township of Richfield had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10% limit computation.

Act 99, Public Acts of State 1933, authorizes the township hall using an installment purchase agreement; however the contracts outstanding for the Township may not exceed 1.25% of the Township's taxable value. The current installment agreement outstanding does not exceed 1.25% of the Township's taxable value.

V. Other information

A. Joint ventures

1. In January 1972, the Township of Richfield entered into a joint venture with the City of Davison and Davison Township to create the Davison Richfield Area Fire Authority (Fire Authority). The purpose of the Fire Authority is to provide uniform and orderly control of fire protection, fire department practices and organizations, and financing within the territorial limits of the three municipalities. The Fire Authority is governed by a seven-member board appointed by the governing bodies of the city and townships. The agreement calls for each municipality to pay a charge for each fire run to a point within its jurisdictional boundary.

The following is a summary of selected financial information of the Fire Authority.

	Period Ended June 30, 2005
Total assets	\$2,821,852
Total liabilities	50,736
Total fund equity	2,471,116
Total revenues	601,840
Total expenditures	387,296
Annual operating subsidy from Township	137,866

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

V. Other information – (continued)

A. Joint ventures – (continued)

1. – (continued)

The Township of Richfield is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Audited financial statements are available for public inspection at authority headquarters.

2. In July 1997, the Township of Richfield joined the Davison Richfield Senior Citizen's Authority (Authority) joint venture which had been created by City of Davison and Davison Township. The purpose of the Authority is to establish a centralized body for a uniform and orderly construction and operation of a senior citizen's center. The Authority is governed by a seven-member board appointed by the governing bodies of the City and Townships. The agreement calls for the City of Davison, the Township of Davison, and the Township of Richfield to pay equal amounts necessary to carry out their purpose.

The City of Davison and the Township of Davison jointly own the old center and currently pay the operational expenses of that center. The new building is owned equally by all three units. All revenue and expense of the new center is shared evenly between the three units. (Note: the Center's buildings have been constructed with federal grants. Therefore, any proceeds from the sale of the buildings would be considered program income and have to be returned to the federal grantor.)

The following is a summary of selected financial information of the Senior Citizen's Authority:

	<u>Year Ended</u> <u>June 30, 2005</u>
Total assets	\$1,380,234
Total liabilities	27,451
Total fund equity	1,352,783
Total revenues	250,853
Total expenditures	244,313
Annual operating subsidy from Township	32,101

Audited financial statements are available for public inspection at authority headquarters.

B. Deferred compensation

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The law was changed to allow trusts to be created for the plan assets, thereby, insulating the assets from the unit of government's general creditors. The Township's plan administrator, Nationwide Retirement Solution (NRS), created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not shown on the Township's financial statements to reflect that the Township no longer has any fiduciary or administrative responsibility for the plan.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

V. Other information – (continued)

C. Retirement plans and other post-employment benefits

Significant details regarding the Township's various retirement plans and other post-employment benefits are presented below:

The Township has three pension plans, one for police officers, one for all AFSCME union employees, and one for all other employees. Benefit provisions and contribution obligations have been established by the Township Board. The Township has adopted the Governmental Accounting Standards Board Statements No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*" and No. 27, "*Accounting for Pensions by State and Local Governmental Employers*".

a. Group Pension Trust

The Township provides pension benefits for all of its full-time employees and trustees (other than police and AFSCME union employees) through the Township's Group Pension Plan. The Township's group pension plan is a defined contribution plan whereby benefits received upon termination or retirement depends solely on amounts contributed to the plan plus investment earnings.

The contribution to the plan is computed on a class earnings schedule as detailed below:

<u>Classification</u>	<u>Total Contribution</u>	<u>Employer Portion</u>	<u>Employee Portion</u>
Supervisor, Clerk, Treasurer	12% of wages	12% of wages	\$-0-
Trustees	20.4% of wages	20.4% of wages	\$-0-
Current assessor	11.75% of wages	10.5% of wages	1.25% of wages

Employees also have the option to have additional amounts withheld from their pay to bring their employee pension contribution up to the maximum amount of 10% of their annual earnings.

Total employer and employee contributions for all employee groups under the group pension plan were \$15,423 and \$484, respectively.

b. Police Officers' Pension Plan:

(1) Plan description:

During the year ended March 31, 1996, the Township elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) for their police officers. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township does not have fiduciary responsibility for the plan.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

V. Other information – (continued)

C. Retirement plans and other post-employment benefits – (continued)

b. Police Officers' Pension Plan: – (continued)

(1) Plan description: – (continued)

Membership in the plan at June 30, 2005 is comprised of 9 active members and 1 vested former member. There are no retirants or beneficiaries.

Police employees who retire at or after age 50, with ten or more years of credited service, or those members with 25 years credited service, regardless of their age, are entitled to a retirement benefit. Straight life pension for policemen is calculated as follows: credited service at time of termination multiplied by 2.5% of the member's final average compensation (3 year average), up to a maximum of 80% of final average compensation. The retirement allowance is reduced 1/2 of 1% for each complete month that retirement precedes normal retirement age.

The plan provides that the employer/police employees contribute amounts necessary to fund the actuarially determined benefits. Police employees are required to deposit 10.38% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary which required an employer contribution of 9.51% for the year ended June 30, 2005. Employee deposits are accumulated in individual accounts for each member remaining in service. If a member leaves service without a retirement allowance or other benefit payable on their account, he/she may withdraw his/her accumulated deposits together with interest. MERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917.

(2) Funding policy:

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

(3) Police Officers' pension plan actuarial assumptions and annual pension cost:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2004
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	31 years
Asset valuation method	5 year smoothed market

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

V. Other information – (continued)

C. Retirement plans and other post-employment benefits – (continued)

b. Police Officers' Pension Plan: – (continued)

(3) Police Officers' pension plan actuarial assumptions and annual pension cost: – (continued)

Actuarial assumptions:

Investment rate of return	8.0%
Projected salary increases	4.5% - 12.90%
Includes inflation at	4.5%
Cost-of-living adjustments	2.5%

For the year ended June 30, 2005, the Township's annual pension cost of \$40,879 for the police officer's pension plan was equal to the Township's required and actual contributions. Employee contributions to the plan were \$39,745.

c. AFSCME Union Employees Pension Plan

(1) Plan description:

During the year ended June 30, 2005, the Township elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) for their AFSCME Union employees. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township does not have fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917.

Membership in the plan at June 30, 2005 is comprised of 5 active members. There are no inactive vested members, retirants, or beneficiaries.

AFSCME Union employees who retire at or after age 55, with 25 or more years of credited service, or those members with 25 years credited service, regardless of their age, are entitled to a retirement benefit. Straight life pension is calculated as follows: credited service at time of termination multiplied by 2.5% of the member's final average compensation (5 year average), up to a maximum of 80% of final average compensation. The retirement allowance is reduced 1/2 of 1% for each complete month that retirement precedes normal retirement age.

The plan provides that the employer/AFSCME Union employees contribute amounts necessary to fund the actuarially determined benefits. AFSCME Union employees are required to deposit 3.16% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary which required an employer contribution of 10.5% for the year ended June 30, 2005. Employee deposits are accumulated in individual accounts for each member remaining in service. If a member leaves service without a retirement allowance or other benefit payable on their account, he/she may withdraw his/her accumulated deposits together with interest.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

V. Other information – (continued)

C. Retirement plans and other post-employment benefits – (continued)

c. AFSCME Union Employees Pension Plan – (continued)

(2) Funding policy:

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

(3) AFSCME employees' pension plan actuarial assumptions and annual pension cost:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2004
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market

(3) AFSCME employees' pension plan actuarial assumptions and annual pension cost: – (continued)

Actuarial assumptions:

Investment rate of return	8.0%
Projected salary increases	4.5% - 12.90%
Includes inflation at	4.5%
Cost-of-living adjustments	None

For the year ended June 30, 2005, the Township's annual pension cost of \$15,833 for the AFSCME Union employees' plan was equal to the Township's required and actual contributions. Employee contributions to the plan were \$4,754.

d. Post employment benefits other than pension

The Township provides health benefits to certain employees after they retire. Collective bargaining unit agreements provide that health, medical, and life insurance benefits will be provided to eligible retirees if similar benefits are not available to the retiree. All employees covered under a bargaining unit, age 55 or older with the specified years of continuous service are eligible.

The cost of the benefits is paid entirely by the Township as the costs are incurred. At year end, two retirees were eligible to receive these benefits. For the year, \$9,875 was expended in the General Fund to provide these benefits.

The Township has established a Retirement Health Care Special Revenue Fund to accumulate resources to pay for post employment benefits in the future.

Township of Richfield
Notes to Basic Financial Statements
June 30, 2005

VI. Risk management and contingent liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis.

VII. Building department revenues and expenses

The State Construction Code Act Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, requires that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operations of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund. The rules allowed for monitoring these funds in a separate activity center within the General fund if the expenditures would normally exceed the revenues. The Township chose the latter. The activity related to construction code activities for the year ended June 30, 2005 is as follows:

Total revenues		\$ 58,373
Total expenses	\$ 65,295	
Less: Ordinance violation costs	<u>1,650</u>	
Net expenses		<u>63,645</u>
Excess expenses over revenues		(5,272)
Reserved fund balance 6/30/2004		<u>47,504</u>
Reserved fund balance 6/30/2005		<u>\$ 42,232</u>

The fund balance in the General Fund has been reserved in the amount of \$42,232 for building department activities at June 30, 2005.

VIII. Upcoming Reporting Change

The Governmental Accounting Standards Boards has recently released Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as and "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010. Management is currently assessing the impact of this new accounting standard on the Township's financial statement for future reporting periods.

Required Supplementary Information

**Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Operating taxes:				
Current property tax	\$ 182,460	\$ 182,460	\$ 178,700	\$ (3,760)
Current fire mileage	98,087	98,087	96,667	(1,420)
Trailer park fees	3,000	3,000	2,796	(204)
Administration fee	60,000	60,000	67,159	7,159
Total taxes	343,547	343,547	345,322	1,775
Special assessments:				
Current police assessment	575,000	575,000	599,900	24,900
Current road special assessment (Vassar)	440	440	-	(440)
Total special assessments	575,440	575,440	599,900	24,460
Licenses and permits:				
Entertainment permit	25	25	-	(25)
Contractor license	1,000	1,000	1,100	100
Peddler licenses	100	100	-	(100)
Board of Appeals	500	500	375	(125)
Planning Commission	3,000	3,000	5,296	2,296
Impact fee	35,000	35,000	83,043	48,043
Building permits	58,500	58,500	58,373	(127)
Total licenses and permits	98,125	98,125	148,187	50,062
Intergovernmental revenue:				
State shared revenue	565,000	565,000	584,305	19,305
Community Development Block Grant	45,000	45,000	79,246	34,246
GAIN	-	-	31,649	31,649
SSR police training	1,000	1,000	2,514	1,514
Local grants/contributions	3,500	3,500	3,000	(500)
Liquor license fees	2,500	2,500	3,383	883
Total intergovernmental revenue	617,000	617,000	704,097	87,097
Charges for services:				
District Court fees	40,000	40,000	43,496	3,496
Witness fees	25	25	-	(25)
Miscellaneous	11,050	11,050	16,330	5,280
Lawn mowing	-	-	3,084	3,084
Dog licenses fees	100	100	122	22
Police reports	1,500	1,500	1,866	366
Vehicle impound	3,500	3,500	4,200	700
Land revisions	750	750	1,425	675
Total charges for service	56,925	56,925	70,523	13,598

(continued)

Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues: - (continued)				
Other revenue:				
Interest	15,000	15,000	35,779	20,779
Sale of fixed assets	10,000	10,000	9,852	(148)
Refunds and rebates	5,000	5,000	6,503	1,503
Davison Cablevision	63,500	63,500	66,692	3,192
Total other revenue	93,500	93,500	118,826	25,326
Total revenues	1,784,537	1,784,537	1,986,855	202,318
Expenditures:				
Current:				
General government:				
<u>Township Board</u>				
Salary/bookkeeper	13,453	13,453	13,483	(30)
Salary/supervisor	3,860	3,860	3,860	-
Salary/clerk	5,258	5,258	5,258	-
Salary/trustees	10,027	10,027	10,026	1
Salary/employees	5,588	5,588	5,826	(238)
Part-time employees	500	500	400	100
Meeting fees	500	500	-	500
Social security	2,998	2,998	2,954	44
Insurance benefits	13,730	13,730	13,772	(42)
Pension	4,747	4,747	7,554	(2,807)
Court appearance	50	50	-	50
Office supplies and postage	7,500	7,500	6,148	1,352
Telephone	950	950	728	222
Utilities	1,950	1,950	1,877	73
Professional fees	8,500	8,500	6,033	2,467
Membership dues	4,750	4,750	4,754	(4)
Mileage	500	500	375	125
Notices and printing	2,000	2,000	1,660	340
Insurance and bonds	18,600	18,600	15,548	3,052
Equipment maintenance	5,250	5,250	5,768	(518)
Miscellaneous	2,500	2,500	859	1,641
Conference and workshops	750	750	831	(81)
Capital outlay	7,500	7,500	3,910	3,590
Disaster Contingency Fund	1,000	1,000	-	1,000
Contingency	1,000	1,000	-	1,000
Total township board	123,461	123,461	111,624	11,837

(continued)

Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures: - (continued)				
Current: - (continued)				
General government: - (continued)				
<u>Supervisor</u>				
Salary/supervisor	3,860	3,860	3,860	-
Social security	295	295	291	4
Pension	111	111	89	22
Office supplies and postage	100	100	71	29
Mileage	100	100	-	100
Miscellaneous	100	100	-	100
Conference and workshops	500	500	450	50
Capital outlay	1,000	1,000	259	741
Contingency	100	100	-	100
Total supervisor	6,166	6,166	5,020	1,146
<u>Clerk</u>				
Salary/clerk	18,404	18,404	18,404	-
Salary/deputy clerk	500	500	-	500
Insurance benefits	3,629	3,629	3,923	(294)
Social security	1,446	1,446	1,408	38
Pension	2,208	2,208	2,208	-
Office supplies and postage	300	300	283	17
Membership dues	50	50	40	10
Mileage	200	200	43	157
Equipment maintenance	200	200	-	200
Miscellaneous	100	100	13	87
Conference and workshops	500	500	112	388
Capital outlay	500	500	230	270
Contingency	250	250	-	250
Total clerk	28,287	28,287	26,664	1,623
<u>Treasurer</u>				
Salary/treasurer	11,307	11,307	11,307	-
Salary/deputy treasurer	1,000	1,000	328	672
Insurance benefits	4,024	4,024	5,641	(1,617)
Social security	942	942	890	52
Pension	1,357	1,357	1,357	-
Office supplies and postage	100	100	154	(54)
Membership dues	50	50	20	30
Mileage	750	750	1,118	(368)
Equipment maintenance	250	250	-	250
Miscellaneous	100	100	-	100
Conference and workshops	250	250	258	(8)
Capital outlay	1,000	1,000	-	1,000
Contingency	250	250	-	250
Total treasurer	21,380	21,380	21,073	307

(continued)

**Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures: - (continued)				
Current: - (continued)				
General government: - (continued)				
<u>Township hall and grounds</u>				
Janitorial fees	4,620	4,620	4,620	-
Operating supplies	2,000	2,000	1,281	719
Insurance and bonds	5,650	5,650	4,974	676
Utilities	1,300	1,300	3,129	(1,829)
Snow and grass removal	4,000	4,000	3,695	305
Building repairs	6,000	6,000	821	5,179
Building remodeling	2,000	2,000	46	1,954
Miscellaneous	750	750	625	125
Capital outlay	1,000	1,000	31,620	(30,620)
Contingency	500	500	-	500
Total township hall and grounds	27,820	27,820	50,811	(22,991)
<u>Election</u>				
Deputy clerk	2,000	2,000	1,904	96
Election fees	7,780	7,780	9,030	(1,250)
Social security	748	748	146	602
Office supplies and postage	150	150	1,608	(1,458)
Mileage	100	100	243	(143)
Notices and printing	100	100	-	100
Miscellaneous	250	250	748	(498)
Training	300	300	270	30
Capital outlay	-	-	-	-
Contingency	100	100	196	(96)
Total elections	11,528	11,528	14,145	(2,617)
<u>Building department</u>				
Salary/supervisor	4,562	4,562	4,562	-
Salary/treasurer	1,292	1,292	1,292	-
Salary/clerk	1,643	1,643	1,643	-
Salary/employees	21,651	21,651	21,687	(36)
Insurance benefits	2,178	2,178	2,298	(120)
Social security	2,230	2,230	2,219	11
Pension	2,820	2,820	2,789	31
Building inspector fees	15,000	15,000	15,000	-
Building zoning admin. fees	5,180	5,180	4,805	375
Court appearance	50	50	-	50
Ordinance violations	750	750	1,650	(900)
Office supplies and postage	500	500	759	(259)
Telephone	1,900	1,900	1,456	444
Utilities	1,300	1,300	1,252	48

(continued)

**Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures: - (continued)				
Current: - (continued)				
General government: - (continued)				
<u>Building department - (continued)</u>				
Professional fees	3,000	3,000	2,000	1,000
Membership dues	200	200	150	50
Mileage	1,200	1,200	1,604	(404)
Miscellaneous	100	100	-	100
Conference and workshops	250	250	-	250
Capital outlay	250	250	129	121
Contingency	100	100	-	100
Total building department	66,156	66,156	65,295	861
<u>Planning commission</u>				
Salary/supervisor	3,457	3,457	3,459	(2)
Salary/employees	3,509	3,509	3,509	-
Fees/zoning admin	3,520	3,520	3,480	40
Insurance benefits	142	142	140	2
Pension	464	464	442	22
Social security	858	858	802	56
Planning commission fees	4,250	4,250	3,580	670
Office supplies and postage	225	225	-	225
Notices and printing	600	600	540	60
Professional fees	6,000	6,000	-	6,000
Membership dues	500	500	943	(443)
Miscellaneous	250	250	-	250
Conferences and workshops	500	500	-	500
Contingency	250	250	-	250
Total planning commission	24,525	24,525	16,895	7,630
<u>Board of appeals</u>				
Salary/employee	1,152	1,152	1,153	(1)
Pension	121	121	121	-
Insurance benefits	47	47	47	-
Social security	180	180	125	55
Board of appeals fees	1,200	1,200	480	720
Office supplies and postage	75	75	7	68
Notices and printing	250	250	162	88
Miscellaneous	50	50	-	50
Conference and workshops	250	250	-	250
Contingency	100	100	-	100
Total board of appeals	3,425	3,425	2,095	1,330

(continued)

**Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures: - (continued)				
Current: - (continued)				
General government: - (continued)				
Other:				
<u>Audit</u>				
Professional fees - audit	4,200	4,200	5,236	(1,036)
Total audit	4,200	4,200	5,236	(1,036)
<u>Property tax administration</u>				
Salary/employees	12,550	12,550	12,573	(23)
Salary/supervisor	6,317	6,317	6,317	-
Salary/treasurer	7,108	7,108	7,107	1
Salary/deputy treasurer	4,000	4,000	3,144	856
Board of review fees	2,500	2,500	1,824	676
Assessor salary	38,807	38,807	38,905	(98)
Salary/part-time employees	1,000	1,000	-	1,000
Overtime	250	250	2,394	(2,144)
Pension	6,427	6,427	6,377	50
Insurance benefits	5,844	5,844	6,549	(705)
Social security	5,357	5,357	5,436	(79)
Office supplies and postage	2,250	2,250	3,297	(1,047)
Tax bill/assessment notices	2,350	2,350	4,501	(2,151)
Parcel maintenance	4,000	4,000	3,614	386
Telephone	2,000	2,000	2,316	(316)
Professional fees	3,000	3,000	5,242	(2,242)
Mileage	500	500	53	447
Deed recording	500	500	439	61
Membership dues	150	150	85	65
Conference and workshops	1,000	1,000	794	206
Misc. county charges	250	250	25	225
Capital outlay	3,000	3,000	1,000	2,000
Contingency	500	500	36	464
Total property tax administration	109,660	109,660	112,028	(2,368)
Total other	113,860	113,860	117,264	(3,404)
Total general government	426,608	426,608	430,886	(4,278)

(continued)

Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures: - (continued)				
Current: - (continued)				
Public safety:				
<u>Police department</u>				
Salary/employees	385,653	385,653	397,989	(12,336)
Salary/dispatcher	63,371	63,371	60,207	3,164
Salary/part-time employees	15,000	15,000	11,334	3,666
Overtime	8,500	8,500	9,886	(1,386)
FANG	13,000	13,000	11,264	1,736
Holiday pay	10,462	10,462	10,456	6
Social security	37,830	37,830	38,421	(591)
Employee insurance	112,648	112,648	123,620	(10,972)
Pension	42,162	42,162	47,047	(4,885)
Court appearances	6,300	6,300	7,237	(937)
Office supplies and postage	2,800	2,800	2,497	303
Janitorial	6,000	6,000	5,196	804
Operating supplies	3,500	3,500	3,378	122
Telephone	4,750	4,750	3,640	1,110
Utilities	6,500	6,500	6,258	242
Uniform expense	5,000	5,000	5,757	(757)
Auto supplies	1,810	1,810	1,638	172
Lien machine	2,440	2,440	2,834	(394)
Attorney/professional fees	32,500	32,500	23,909	8,591
Membership dues	550	550	200	350
Radio repairs	1,800	1,800	663	1,137
Mileage	50	50	-	50
Auto repair	5,000	5,000	5,437	(437)
Gasoline and oil	15,000	15,000	18,901	(3,901)
Insurance and bonds	30,000	30,000	23,555	6,445
Equipment maintenance	6,135	6,135	5,114	1,021
D.A.R.E.	5,220	5,220	5,599	(379)
Drug forfeiture	50	50	869	(819)
Miscellaneous	1,000	1,000	1,713	(713)
Training	4,000	4,000	3,749	251
Conference and workshops	2,000	2,000	1,992	8
Capital outlay	56,000	56,000	53,127	2,873
Contingency	4,000	4,000	-	4,000
Total police	891,031	891,031	893,487	(2,456)

(continued)

**Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures: - (continued)				
Current: - (continued)				
Public safety: - (continued)				
<u>Fire department</u>				
Meeting fees	250	250	200	50
Social security	19	19	15	4
Fire runs	144,759	144,759	139,313	5,446
Total fire	145,028	145,028	139,528	5,500
Total public safety	1,036,059	1,036,059	1,033,015	3,044
Public service:				
<u>Drains</u>				
Drains at large	57,350	57,350	46,752	10,598
Contingency	500	500	-	500
Total drains	57,850	57,850	46,752	11,098
<u>Street lighting</u>				
Street lighting usage	11,500	11,500	11,918	(418)
<u>Road maintenance</u>				
Chloride	17,000	17,000	14,438	2,562
Right of way	3,000	3,000	-	3,000
Road maintenance	100,000	100,000	89,985	10,015
Total road maintenance	120,000	120,000	104,423	15,577
Total public service	189,350	189,350	163,093	26,257
Recreation and cultural:				
<u>Library</u>				
Library meeting fees	431	431	414	17
Flag/cemetery expense	350	350	338	12
Committee expense	5,000	5,000	4,831	169
Contingency	100	100	-	100
Total library	5,881	5,881	5,583	298
<u>Parks and recreation</u>				
General maintenance	1,000	1,000	4,656	(3,656)
Utilities	750	750	1,164	(414)
Capital outlay	45,000	45,000	43,970	1,030
Contingency	100	100	-	100
Total parks and recreation	46,850	46,850	49,790	(2,940)

(continued)

**Township of Richfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures: - (continued)				
Current: - (continued)				
Recreation and cultural: - (continued)				
<u>Senior citizens authority</u>				
Annual contribution	27,825	27,825	33,220	(5,395)
Social security	61	61	45	16
Meeting fees	800	800	583	217
Total senior citizens authority	28,686	28,686	33,848	(5,162)
Total recreation and cultural	81,417	81,417	89,221	(7,804)
Debt service:				
Principal retirement	33,408	33,408	33,432	(24)
Interest and fiscal charges	28,054	28,054	27,856	198
Total debt service	61,462	61,462	61,288	174
Total expenditures	1,794,896	1,794,896	1,777,503	17,393
Net change in fund balance	(10,359)	(10,359)	209,352	219,711
Fund balance - beginning	1,792,956	1,792,956	1,792,956	-
Fund balance - ending	\$ 1,782,597	\$ 1,782,597	\$ 2,002,308	\$ 219,711

**Township of Richfield
Garbage Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2005**

Garbage Fund			
	Budgeted Amounts		Variance with
	Original	Final	Final Budget - Positive (Negative)
Revenues:			
Customer assessments:			
Garbage fees	\$ 270,000	\$ 270,000	\$ 280,285
Interest	200	200	121
			(79)
Total revenues	270,200	270,200	280,406
			10,206
Expenditures:			
Current:			
Public service:			
Garbage pickup	269,500	269,500	271,554
			(2,054)
Total expenditures	269,500	269,500	271,554
			(2,054)
Net change in fund balance	700	700	8,852
			8,152
Fund balance - beginning	34,211	34,211	34,211
			-
Fund balance - ending	\$ 34,911	\$ 34,911	\$ 43,063
			\$ 8,152

**Township of Richfield
Required Supplementary Information
Analysis of Funding Progress
Police Officers' Pension Plan**

**Police Officers' Pension Plan
Schedule of Funding Progress**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability Attained Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c)</u>
6/30/05	12/31/04	\$794,156	\$1,440,929	\$646,773	55.1%	\$410,874	157.4%
6/30/04	12/31/03	676,865	1,031,711	354,846	65.6	412,452	86.0
6/30/03	12/31/02	564,383	906,801	342,418	62.2	394,705	86.8

**Police Officers' Pension Plan
Schedules of Employer Contributions**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
6/30/06	12/31/05	\$ 45,612	N/A
6/30/05	12/31/04	40,879	100.0%
6/30/04	12/31/03	37,572	100.0
6/30/03	12/31/02	32,868	100.0

**Police Officers' Pension Plan
Three Year Trend Information**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
6/30/05	12/31/04	\$ 45,612	100.0%	\$ -
6/30/04	12/31/03	42,113	100.0	-
6/30/03	12/31/02	30,947	100.0	-

**Township of Richfield
Required Supplementary Information
Analysis of Funding Progress
AFSCME Union Employees' Pension Plan**

**AFSCME Union Employees' Pension Plan
Schedule of Funding Progress**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Attained Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c)</u>
6/30/05	12/31/04	\$108,348	\$219,685	\$111,337	49.3%	\$153,417	72.6%
6/30/04	11/1/03	123,951	185,700	61,749	66.7	158,673	38.9

**AFSCME Union Employees' Pension Plan
Schedules of Employer Contributions**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
6/30/05	12/31/04	\$ 15,833	100.0%
6/30/04	11/1/03	2,795	100.0

**AFSCME Union Employees' Pension Plan
Three Year Trend Information**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
6/30/05	12/31/04	\$ 15,833	100.0%	\$ -
6/30/04	11/1/03	2,795	100.0	-

Combining Fund Statements and Fund Descriptions

**Township of Richfield
Non-Major Governmental Funds
Summary Descriptions
June 30, 2005**

Special Revenue Funds

The Lighting Fund accounts for transactions related to special lighting districts.

Debt Service Fund

The Debt Service Fund was established to accumulate resources for the payments of the Main Interceptor which was paid in full during fiscal 2004.

**Township of Richfield
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
	<u>Lighting</u>	<u>Debt</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Service</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
Assets			
Receivables-taxes	\$ -	\$ 1,229	\$ 1,229
Due from other funds	5,422	-	5,422
	<hr/>	<hr/>	<hr/>
Total assets	\$ 5,422	\$ 1,229	\$ 6,651
	<hr/>	<hr/>	<hr/>
Liabilities			
Deferred revenue	\$ -	\$ 1,229	\$ 1,229
	<hr/>	<hr/>	<hr/>
Total liabilities	-	1,229	1,229
	<hr/>	<hr/>	<hr/>
Fund balances			
Reserved for lighting	5,422	-	5,422
Reserved for retirement health care	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	5,422	-	5,422
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 5,422	\$ 1,229	\$ 6,651
	<hr/>	<hr/>	<hr/>

Township of Richfield
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue	Debt Service	Total
	Lighting	Debt Service	Nonmajor
	Fund	Fund	Governmental
			Funds
Revenues:			
Customer assessments:			
Lighting fees	\$ 17,536	\$ -	\$ 17,536
Interest	48	-	48
Total revenues	17,584	-	17,584
Expenditures:			
Current:			
Public service:			
Vassar Road	499	-	499
Crandon Drive	422	-	422
Davison Hills	106	-	106
Oak Brook Estates	2,112	-	2,112
Potter Road	106	-	106
Irish Road	1,056	-	1,056
Hunt Farms	1,162	-	1,162
Hunt Farms III	1,373	-	1,373
Auto Auction	106	-	106
Gale Road	634	-	634
Victoria Station	422	-	422
Victoria Station II	1,795	-	1,795
Winter Hue Lane	106	-	106
Four Seasons II	634	-	634
Four Seasons III	1,267	-	1,267
Tiger Run Trail	1,056	-	1,056
Sandy Hollow	634	-	634
Forest Creek West	270	-	270
Vanadia	1,500	-	1,500
Victoria Estates II	600	-	600
Total expenditures	15,860	-	15,860
Net change in fund balances	1,724	-	1,724
Fund balance - beginning	3,698	-	3,698
Fund balance - ending	\$ 5,422	\$ - 0 -	\$ 5,422



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

August 24, 2005

Members of the Township Board
Richfield Township
5381 North State Road
Davison, Michigan 48423

We recently completed our audit of the basic financial statements of Richfield Township for the year ended June 30, 2005. As a result of our audit, we have the following comment and recommendation for your review and consideration.

Receipting System

We have observed that the Township accountant covers the front counter and processes cash receipts at times. The accountant's role is an important check and balance in the cash receipting system and the amount of time spent covering the front counter should be kept to a minimum. The situation occurs due to limited staff and the need to cover breaks and lunches.

We would like to thank Cindy, as well as all of the Township's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Sincerely,

PLANTE & MORAN, PLLC



Peggy Haw Jury, CPA, CFE